

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

FEMSPEC, L.L.C.,

No. C-06-2719 JCS

Plaintiff,

v.

JONATHAN W. DUDAS,

Defendant.

**ORDER GRANTING DEFENDANT’S
MOTION TO DISMISS OR IN THE
ALTERNATIVE FOR SUMMARY
JUDGMENT AND DENYING PLAINTIFF’S
MOTION FOR SUMMARY JUDGMENT
[Docket Nos. 14, 26]**

I. INTRODUCTION

Plaintiff Femspec L.L.C. (“Femspec”) seeks judicial review of a final agency action, namely, the decision of the Patent and Trademark Office denying Femspec’s petition under 37 C.F.R. § 1.378(b) to accept delayed payment of the maintenance fee for U.S. Patent No. 5,743,852 (“the ‘852 patent”) and reinstate that patent. Defendant (hereinafter, “the PTO”) filed a Motion to Dismiss, or in the Alternative, for Summary Judgment (“Defendant’s Motion”), asking the Court to affirm the PTO’s decision. Plaintiff, in turn, brought a motion (“Plaintiff’s Motion”) asking the Court to reverse that decision. A hearing on the motions was held on January 19, 2007, at 11:00 a.m. For the reasons stated below, Defendant’s Motion is GRANTED and Plaintiff’s Motion is DENIED.¹

¹After Defendant’s Motion was filed, the parties stipulated that their submissions in support of the motions would constitute their trial submissions and agreed that the Court would conduct a trial on the papers. Having carefully reviewed the parties’ submissions and considered their legal arguments, the Court concludes that the issues raised are more appropriately addressed under the summary judgment standard, as discussed further below.

II. BACKGROUND²**A. Issuance of the ‘852 patent and Assignment to Femspec**

On April 15, 1996, William T.M. Johnson (“Dr. Johnson”) filed the patent application that ultimately led to the issuance of the ‘852 patent. MFN Re: Administrative Records Supporting Defendant’s Motion to Dismiss or in the Alternative for Summary Judgment (“AR”), PTO00002 (‘852 patent). Although Dr. Johnson was originally represented in the patent prosecution by attorney Kevin Goldstein, on October 28, 1996, he terminated his relationship with Goldstein, informing Goldstein that he was unhappy with his representation and that he intended to proceed with the application on his own. PTO00037-00038.

On November 6, 1997, Dr. Johnson wrote to the PTO asking why his patent had not yet issued. PTO00041. He stated that he had terminal cancer and hoped to receive the patent before he died. *Id.* He instructed the PTO to send the patent, when it issued, to his son, Scott Johnson, “whether [he was] alive or dead.” *Id.* The address he provided for Scott Johnson was 4815 Nature’s Way, Blacksburg, VA 24060. *Id.* The patent issued on April 28, 1998. PTO00002. It was sent to Scott Johnson at the above address. PTO00031 (Declaration of Scott W. Johnson). According to Scott Johnson, he “does not recall reviewing the Patent when [he] received it, but instead promptly forwarded it to [his] father.” *Id.*

On September 24, 1998, Dr. Johnson executed his Last Will and Testament (“Will”). PTO00043-00044. Dr. Johnson included the following provision in his Will regarding the ‘852 patent:

I have received U.S. Patent 5,743,852 for an inflatable speculum for the pelvic examination, issued April 28, 1998. I direct that my Executor, Scott W. Johnson, Ph.D., should receive, hold and control this patent and all patents, copyrights, awards from lawsuits, and bank accounts which are in my name. . . .

² Because this action involves review of agency action under 5 U.S.C. § 706(2)(A), the Court’s determination is based on review of the administrative record. Although a court may, under limited circumstances, consider evidence outside of the administrative record in such actions, *see Rydeen v. Quigg*, 748 F. Supp. 900, 903-904 (D.D.C. 1990), the parties here do not seek to introduce any such evidence. Accordingly, the Court relies exclusively upon the administrative record in this “Background” section.

1 PTO00043. The Will did not specifically mention payment of fees associated with maintenance of
2 the patent. *Id.* On December 16, 1998, Dr. Johnson committed suicide. PTO00025. Pursuant to the
3 Will, Scott Johnson was appointed Executor of his father's estate. PTO00048.

4 In February 2000, Scott Johnson provided an informal accounting of the estate. PTO00099-
5 00100. The accounting lists the value of the '852 patent as "0." PTO00099. It also reflects that the
6 estate had no liquidity and that a deficit in the accounting was made up by Scott Johnson.
7 PTO00100.

8 By July 2000, Scott Johnson had moved from the Nature's Way address and any forwarding
9 would have expired. PTO00034. By October 2001, Dr. Johnson's wife had sold the house she and
10 Dr. Johnson had lived in and had moved away without leaving a forwarding address. PTO00034-
11 00035. On June 25, 2002, the '852 patent expired due to failure to pay maintenance fees required
12 under 37 C.F.R. §1.362.³ PTO00057-00058.

13 In June 2004, counsel for Femspec, a "medical device start-up company" located in San
14 Francisco, discovered the '852 patent while researching prior art in connection with a proposed
15 Femspec patent application. PTO00049-00050 (Declaration of Nicola A. Pisano). Femspec decided
16 to try to acquire the rights under the '852 patent. *Id.* Accordingly, its counsel, Nicola Pisano, began
17 to search for Dr. Johnson's heirs. In July 2004, Pisano located Scott Johnson and spoke to him
18 regarding the possibility of acquiring the rights to the '852 patent. PTO00052. On August 5, 2004,
19 Scott Johnson assigned the rights under the '852 patent to Femspec. PTO00119.

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26 ³ Pursuant to 37 C.F.R. § 1.362, in order to maintain the '852 patent in force, the patentee was
27 required to pay a 3 ½ year maintenance fee. Under 37 C.F.R. §1.362, the maintenance fee may be paid
28 as early as three years from the date of issuance up to 3 ½ years from the date of issuance, with an
additional six month grace period, during which time a surcharge applies. Thus, the maintenance fee
on the '852 patent was due no later than April 28, 2002.

B. Petition to Accept Late Payment

On August 18, 2004, Femspec filed with the PTO a Petition under 37 C.F.R. § 1.378(b) to Accept Late Payment of Maintenance Fee and to Reinstate Patent.⁴ In the petition, Femspec argued that the delay in payment of the maintenance fee was unavoidable under 35 U.S.C. § 41(c)(1),⁵ citing evidence that both Scott Johnson and his father had exercised reasonable care in connection with the '852 patent. PTO 00024-00028. With respect to Dr. Johnson, Femspec cited evidence that although

⁴ 37 C.F.R. § 1.378 provides, in relevant part, as follows:

(a) The Director may accept the payment of any maintenance fee due on a patent after expiration of the patent if, upon petition, the delay in payment of the maintenance fee is shown to the satisfaction of the Director to have been unavoidable (paragraph (b) of this section) or unintentional (paragraph (c) of this section) and if the surcharge required by § 1.20(i) is paid as a condition of accepting payment of the maintenance fee. If the Director accepts payment of the maintenance fee upon petition, the patent shall be considered as not having expired, but will be subject to the conditions set forth in 35 U.S.C. § 41(c)(2).

(b) Any petition to accept an unavoidably delayed payment of the maintenance fee filed under paragraph (a) of this section must include:

(1) The required maintenance fee set forth in § 1.20(e) through (g);

(2) The surcharge set forth in § 1.20(I)(1); and

(3) A showing that the delay was unavoidable since reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition was filed promptly after the patentee was notified of, or otherwise became aware of, the expiration of the patent. The showing must enumerate the steps taken to ensure timely payment of the maintenance fee, the date and the manner in which the patentee became aware of the expiration of the patent, and the steps taken to file the petition promptly.

(c) Any petition to accept an unintentionally delayed payment of a maintenance fee filed under paragraph

(a) of this section must be filed within twenty-four months after the six-month grace period provided in § 1.362(e) and must include:

(1) The required maintenance fee set forth in § 1.20(e) through (g);

(2) The surcharge set forth in § 1.20(I)(2); and

(3) A statement that the delay in payment of the maintenance fee was unintentional.

⁵ 35 U.S.C. § 41(c)(1) provides, in relevant part, that “[t]he Director may accept the payment of any maintenance fee required by subsection (b) of this section which is made within twenty-four months after the six-month grace period if the delay is shown to the satisfaction of the Director to have been unintentional, or at any time after the six month grace period if the delay is shown to the satisfaction of the Director to have been unavoidable. . . .

1 Dr. Johnson had been a “meticulous individual,” he had been struggling with terminal cancer and
2 was prosecuting the patent application pro se. PTO00024-00025. As a result, he did not specifically
3 provide for payment of maintenance fees in his will, even though he included a provision addressing
4 the ‘852 patent. PTO00025. Femspec noted that while Dr. Johnson “may have calendared a date for
5 payment of the maintenance fee . . . any such notation may have gone unrecognized . . . [b]ecause
6 [Scott Johnson] lacked experience with patents.” *Id.* Further, “[m]any of [Dr. Johnson’s] business
7 records were discarded during and after administration of his estate.” *Id.*

8 Femspec also cited evidence that Scott Johnson had exercised reasonable care, but
9 nonetheless was unaware of the need to pay a maintenance fee on the ‘852 patent. Femspec pointed
10 out that Scott Johnson was unfamiliar with patent law and did not receive any notices that may have
11 been sent by the PTO because both he and his father’s widow had moved. PTO000227. It also
12 noted that because Scott Johnson had a copy of the patent made by his father that did not include the
13 notice of maintenance fees that is on the inside cover of the original grant, he was unaware of any
14 need to look for the original grant and apparently did not do so. *Id.*

15 The PTO rejected the petition on September 17, 2004, on the basis that Femspec had not
16 made an adequate showing of unavoidable delay. In its decision, the PTO stated that to establish
17 unavoidable delay, Petitioner was required to show that:

18 the party obligated to make the maintenance fee payment 1) knew of
19 the need to make the maintenance fee payment, 2) implemented a
20 reliable docketing system to track the relevant dates 3) treated
21 payment of the maintenance fee (and later filing of a petition to
reinstatement) as his most important business, 4) was prevented from
making the payment and 5) must show that the entire delay in making
the payment was unavoidable.

22 PTO00090. Because Scott Johnson was the party responsible for making the payment, the PTO
23 looked to his actions to determine if the requirements listed above were met. *Id.* The PTO held that
24 the delay was not unavoidable because there was “no system in place to ensure payment of the
25 maintenance fee” and Scott Johnson’s lack of knowledge of the fee was not unavoidable delay.
26 PTO00091. According to the PTO, Johnson “might have consulted with someone who was [familiar
27 with patent law] or contacted the Patent and Trademark Office.” PTO00092.
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1 Femspec requested reconsideration of the decision. It argued that the cases relied upon by
2 the PTO involved failure to pay maintenance fees by attorneys, not ordinary individuals like Scott
3 Johnson. PTO00106-000113. Femspec also challenged the PTO's assertion that Scott Johnson
4 should have consulted with a patent attorney. PTO00114. Femspec asserted that to retain a patent
5 attorney when there was no indication that there were any commercial prospects for developing the
6 technology in the '852 would have exposed Scott Johnson to potential liability for waste of estate
7 assets, especially as the estate had no liquidity and assets would have had to have been liquidated to
8 retain such counsel. PTO00114-00117. In support of this position, Femspec offered an opinion by
9 estates and trusts lawyer Stephen Carroll stating his belief that under the circumstances, Scott
10 Johnson had exercised reasonable care under Pennsylvania law in handling his father's estate,
11 including the '852 patent. *Id.*

12 The PTO again rejected Femspec's position, issuing its final decision on February 23, 2006.
13 The PTO held that the principle that lack of knowledge does not constitute unavoidable delay is not
14 limited to patent attorneys. PTO00133. The PTO rejected Femspec's reliance on the opinion of
15 Stephen Carroll, noting that federal patent law rather than state probate law governs determinations
16 regarding the reinstatement of a patent. PTO00135.

17 C. The Motions

18 In Defendant's Motion, the PTO reiterates the position it took in its February 23, 2006
19 decision, namely, that the unavoidable delay standard does not apply exclusively to patent attorneys
20 and that Femspec has not made an adequate showing to meet that standard. The PTO also points out
21 that this Court's review is governed by the Administrative Procedures Act ("APA"), 5 U.S.C. §§ 701
22 et seq. Under the APA, the scope of review is "narrow" and "a court is not to substitute its judgment
23 for that of the agency." *Motor Vehicles Mfrs. Ass'n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*,
24 463 U.S. 29, 43 (1983). Femspec does not challenge this standard but argues that the decision of the
25 PTO should be reversed nonetheless on the basis that it is "contrary to established law." Femspec
26 also asserts that the PTO's position is inconsistent with legislative intent, pointing to a 1992
27 amendment of the underlying statutory provision at issue, 5 U.S.C. § 41(c), to ameliorate the harsh
28 results of the "unavoidable delay" standard as applied to those whose patents have lapsed within the

last 24 months. Finally, Femspec argues that the PTO has elevated the reasonably prudent person standard to a level beyond reason by holding that in order to satisfy it, an individual would have to engage in conduct inconsistent with his obligations under state law as executor of an estate, resulting in an arbitrary and capricious application of the law.

III. ANALYSIS

A. Legal Standard

Femspec asks the Court to set aside the PTO's action under 5 U.S.C. § 706(2)(A) on the basis that it is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." "In applying that standard, the focal point for judicial review should be the administrative record already in existence, not some new record made initially in the reviewing court." *Camp v. Pitts*, 411 U.S. 138, 142 (1973).⁶ The Supreme Court has described the scope of review under this standard as follows:

The scope of review under the "arbitrary and capricious" standard is narrow and a court is not to substitute its judgment for that of the agency. . . . Normally, an agency rule would be arbitrary and capricious if the agency has relied on factors which Congress has not intended it to consider, entirely failed to consider an important aspect of the problem, offered an explanation for its decision that runs counter to the evidence before the agency, or is so implausible that it could not be ascribed to a difference in view or the product of agency expertise. . . .

Motor Vehicle Mfrs. Ass'n of U.S., Inc. v. State Farm Mutual Auto Ins. Co., 463 U.S. 29, 43 (1983); *see also MMTC, Inc. v. Rogan*, 369 F.Supp. 2d 675, 678 (E.D. Va. 2004) (noting that in applying the standard set forth in 5 U.S.C. § 706(2)(A) to review of a PTO decision under 35 U.S.C. § 41(c)(1) regarding unavoidable delay, the court must "consider whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment") (citing *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416(1971)).

"[T]he question of whether an applicant's delay . . . was unavoidable must be decided on a case-by-case basis, taking all of the facts and circumstances into account." *Smith v. Mossinghoff*, 671

⁶ Although under limited circumstances a reviewing court acting under the APA may conduct de novo review of the facts, *see Citizens to Preserve Overton Park v. Volpe*, 401 U.S. 402, 415 (1971), the parties do not request such de novo review.

1 F.2d 533, 537 (D.C. Cir. 1982). Because the parties rely on the administrative record, the content of
 2 which is not disputed, the Court treats their motions as motions for summary judgment. *See id.*
 3 (holding that district court erred in characterizing motion by PTO as motion to dismiss where motion
 4 was supported by evidence from the administrative record and the district court's ruling was, in
 5 effect, a summary judgment order); *see also R.R. Donnelly & Sons Co. v. Dickinson*, 123 F. Supp. 2d
 6 456, 458 (N.D. Ill. 2000) (holding that "where, as here, summary judgment is based on an
 7 administrative record, there can be no genuine issue of material fact regarding the content of the
 8 record").

9 **B. Discussion**

10 Femspec asserts that the PTO's decision must be set aside because its application of the
 11 reasonably prudent person standard is arbitrary and capricious. In support of this position, Femspec
 12 cites: 1) federal case law addressing the unavoidable delay standard; 2) the legislative history
 13 associated with 35 U.S. § 41, the provision in which the unavoidable delay standard is codified; and
 14 3) Pennsylvania case law governing the obligations of executors. The Court concludes that although
 15 a close call, Femspec has not established that the PTO's decision is "arbitrary, capricious, an abuse
 16 of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706(2)(A).

17 **1. Federal Case Law**

18 The "unavoidable delay" standard set forth in 35 U.S.C. § 41(c)(1) (quoted above) "has
 19 remained unchanged since first enacted in 1861." *Mossinghoff*, 671 F.2d at 538. As noted by the
 20 court in *Mossinghoff*, "[t]here is a dearth of legislative history that might provide some clue to the
 21 meaning intended by Congress . . . for the word 'unavoidable' [and cases] in point are few." *Id.*
 22 Courts have held that "in determining whether a delay in paying a maintenance fee was unavoidable,
 23 one looks to whether the party responsible for payment of the maintenance fee exercised the due
 24 care of a reasonably prudent person." *Ray v. Lehman*, 55 F.3d 606,609 (Fed. Cir. 1995). This
 25 standard is sometimes difficult to apply, however, when the responsible party was not aware of the
 26 requirement that a maintenance fee be paid in the first instance.

27 The regulation used by the PTO to determine whether delay was "unavoidable" does not
 28 directly address situations in which failure to pay the maintenance fee results from ignorance of the

1 requirement to do so. *See* 37 C.F.R. § 1.378. It requires that a petitioner “enumerate the steps taken
2 to ensure timely payment of the maintenance fee,” suggesting that a patent owner who fails to take
3 such steps due to ignorance could *never* establish unavoidable delay. However, in the seminal case
4 of *In re Mattullath*, 38 App.D.C. 497 (D.C. Cir. 1912), a case on which the PTO relied in its
5 February 23, 2006 decision, it was established that there *are* situations in which ignorance of the
6 requirement to pay maintenance fees may support a finding of unavoidable delay. Femspec relies
7 heavily on *In re Mattullath* in support of its motion, arguing that the facts of that case are similar to
8 those in this case.

9 In *In re Mattullath*, the court addressed whether a patent application that had been considered
10 abandoned could be revived on the basis of unavoidable delay seven years later.⁷ *Id.* at 502. There,
11 the petitioner was a widow, Meta Mattullath, whose husband had applied for a patent for a flying
12 machine in 1900 with the assistance of his attorneys, the firm of Barthel & Barthel. *Id.* at 499-500.
13 In 1902, before the patent had issued, the applicant died. *Id.* at 501. He “left no property
14 whatsoever, and . . . the family was without means.” *Id.* at 512. According to affidavits submitted
15 in support of the petition to revive, when around the time of the applicant’s death Barthel & Barthel
16 filed formal amendments attempting to respond to the Commissioner’s most recent objections, the
17 PTO notified them that their power of attorney had been terminated by virtue of the applicant’s
18 death and Barthel & Barthel ceased prosecuting the application. *Id.* Neither the PTO nor Barthel &
19 Barthel notified Mattullath’s widow of the pending application. *Id.* at 512. On October 3, 1903, the
20 PTO entered the application on its records as abandoned. *Id.* at 502.

21 On November 23, 1910, Meta Mattullath filed a petition to revive the application with the
22 PTO. *Id.* at 502. She alleged that she was the duly appointed administratrix of her husband’s estate
23 and that while she and her family knew her husband had been working on a flying invention, none of
24 them knew that he had applied for a patent. *Id.* Although she had, upon the advice of an attorney
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26 ⁷ A patent application that has been considered abandoned for failure to prosecute may be
27 revived upon a showing of “unavoidable delay.” 35 U.S.C. § 133. Courts have held that that standard
28 is the same as the “unavoidable delay” standard that is applied in connection with a petition to reinstate
under 35 U.S.C. § 41(c). *See Ray v. Lehman*, 55 F.3d 606, 609 (Fed. Cir. 1995).

1 friend, inquired in letters to a number of her husband's associates whether they knew of any patents
2 held by her husband, none informed her of the application. *Id.* at 507. She did not make inquiries
3 with the PTO. *Id.* It was not until October 1909, when she received a request from an attorney for
4 authorization permitting him to review the file, that Meta Mattullath learned of the patent
5 application. *Id.* at 502. At that point, she found a "charitable attorney" who agreed to file a petition
6 to revive the application. *Id.* at 513. She was unable to pay the attorney's fees, but advanced to him
7 \$41 in costs. *Id.* Before he had filed the petition to revive, however, the attorney died of
8 tuberculosis, resulting in the loss of some of the papers and further delay of over a year, when the
9 petition to revive was finally filed. *Id.*

10 In the petition, evidence was presented that Meta Mattullath's husband had been extremely
11 secretive about the patent application. *Id.* at 506. The Barthel & Barthel attorneys verified that they
12 had not informed Meta Mattullath of the patent application, stating that they did not know her
13 address or whereabouts. *Id.* Meta Mattullath stated that had she been informed by Barthel &
14 Barthel of the revocation of their power of attorney, she would have had them continue to prosecute
15 the patent on behalf of her husband's estate. *Id.* at 503.

16 The PTO rejected the request to revive the application, finding that Meta Mattullath had not
17 demonstrated unavoidable delay. *Id.* at 505. The court, however, reversed, concluding that the
18 petitioner had not "slept upon her rights." *Id.* at 511. In reaching this conclusion, the court pointed
19 first and foremost to the PTO's action of revoking Barthel & Barthel's power of attorney due to the
20 original applicant's death. *Id.* The court held that the applicant's death had not revoked Barthel &
21 Barthel's power of attorney and described the Commissioner's act as "inexplicable." *Id.* The court
22 opined:

23 it would have been eminently proper to notify [Barthel & Barthel] of
24 the death of their client, and suggest the propriety of obtaining a
25 renewal from his legal representatives, meanwhile suspending action
26 for a reasonable time for the purpose. Had this been done, the
solicitors would have been under obligation to inquire for, and notify
the intestate's representatives of the situation.

27 *Id.*
28

1 The court went on to reject the contention that “notice to the solicitors was the equivalent of
2 notice to the representatives; and that their negligence is to be imputed to petitioner.” *Id.* at 512.
3 The court held that “[t]heir negligence in conducting the proceedings, while the relation of client and
4 attorney continued to be recognized [by the PTO], could be imputed to the applicant. But it is
5 unreasonable that their neglect was the neglect of the petitioner, when the [PTO] had declared their
6 authority ended.” *Id.* at 512. Further, the court noted, “they were never the attorneys of the
7 deceased applicant’s representatives.” *Id.*

8 In addition, the court concluded that Meta Mattullath had acted with “diligence and good
9 faith” even though she had not made any inquiry with the PTO. *Id.* at 512-513. The court stated,

10 Without pausing to consider the many exceptions to the rule that
11 ignorance or mistake of law excuses no one, it is sufficient to say that
12 there is no just foundation for the application of the general rule in this
13 case. There is no statutory or other rule of law requiring parties to
14 apply for information at the Office. It is a fact that information
15 concerning applications for patents will be furnished to the applicant
16 or his legal representatives. It is not at all wonderful that a woman
17 like the petitioner should have been ignorant of this fact, especially as
18 it seems not to have been known to the lawyer who advised her where
19 to seek information. Nor is it at all remarkable that she should not
20 have known, in making her inquiries, that there was an essential
21 difference between an application and a patent. It plainly appears
22 from her sworn statements that she did not know the difference, or that
23 she could obtain information of the application by applying to the
24 Office. It was ignorance of a fact, not of law.

18 *Id.* at 513-514.

19 Finally, the court addressed the intent of Congress in using the word “unavoidable.” *Id.* at
20 514-515. Rejecting the position of the Commissioner as “technical, hard, and narrow,” the court
21 instead adopted an interpretation that was “broad and liberal, breathing the spirit of equity, and more
22 in accord with our patent laws.” *Id.* at 515. That interpretation is embodied in the opinion of a
23 former Commissioner, quoted by the court at length:

24 The word “unavoidable” . . . is one of very broad significance. In its
25 application to many relations it would exclude everything but the
26 “King’s enemies” or acts of God. I do not believe such a construction
27 would be a fair interpretation of the statute. The statute is one
28 regulating a mere practice in the Office, and is not intended to affect
substantial rights as between different persons or between persons and
the government. It is rather a provision by which a statutory limitation
may be removed. Its purpose is to encourage diligence in proceedings
before the Office. If the broad and unlimited meaning of the word

“unavoidable” were to prevail, it is difficult to conceive when an abandoned case could be reinstated under this section. In my opinion, the word is used in a more limited sense. It is applicable to ordinary human affairs, and requires no more or greater care or diligence than is generally used and observed by prudent and careful men in relation to their most important business. It permits them, in the exercise of this care, to rely upon the ordinary and trustworthy agencies of mail and telegraph, worthy and reliable employees, and such others means and instrumentalities as are usually employed in such important business. If unexpectedly, or through unforeseen fault or imperfection of these agencies and instrumentalities, there occurs a failure, it may properly be said to be unavoidable, all the other conditions of good faith and promptness in its ratification being present.

Id. at 514-515 (citation omitted).

While Femspec relies heavily on *In re Mattullath*, the PTO argues that case is distinguishable and cites instead cases in which courts have found that ignorance did not support a finding of unavoidable delay. *See Ray v. Lehman*, 55 F.3d 606 (Fed. Cir. 1995)(discussed below); *Smith v. Mossinghoff*, 671 F. 2d 533 (D.C. Cir. 1982) (holding that where applicant’s attorney missed deadline because he was preoccupied with other legal matters and was in the process of moving his residence, applicant did not establish unavoidable delay); *Rydeen v. Quigg*, 748 F. Supp. 900 (D.D.C. 1990) (holding that failure to pay maintenance fee because patentee’s attorney had not received customary notice from PTO alerting him it was due was not sufficient to establish unavoidable delay because PTO has no duty to provide notice that maintenance fee is due).

The PTO asserts that *Ray v. Lehman*, 55 F.3d 606 (Fed. Cir. 1995) establishes that ignorance of the maintenance fee requirement on the part of a patentee does not constitute unavoidable delay – even when the patentee is not represented by counsel. In *Ray*, the applicant (Ray) was represented in prosecuting the patent by a patent agent, Tom Sherrard. 55 F. 3d at 607. The patent issued in August 1984, and Sherrard listed his own address for receipt of further correspondence from the PTO. *Id.* Subsequently, the PTO sent Sherrard a notice regarding the requirement that a maintenance fee be paid on the patent. *Id.* Because Sherrard had, by this time, retired, he forwarded the notice to his former client’s last known address. *Id.* The letter was returned to Sherrard as undeliverable and Sherrard took no further action. *Id.* In 1990, Ray discovered that the patent had expired and attempted to have it reinstated. *Id.* He stated that Sherrard had never told him about the maintenance fee requirement and that he knew of no reason to keep in contact with Sherrard after his

1 retirement. *Id.* The PTO held that Ray had not established unavoidable delay, and the court
2 affirmed. The court held that Ray had not shown that he acted as a reasonably prudent person,
3 noting that Ray did not provide a current address to either the PTO or Sherrard. *Id.* at 610.

4 Comparing the facts of *In re Mattullath* to those in *Ray*, the Court concludes that the latter is
5 the more closely on point of the two decisions. Here, as in *Ray*, the responsible party was a non-
6 attorney who was entirely unaware of the obligation to pay maintenance fees. Further, in this case,
7 as in *Ray*, it is evident that Scott Johnson's ignorance was understandable under the circumstances
8 and that his failure to pay the required maintenance fee was unintentional. Yet the court in *Ray*
9 made clear that this is not enough to meet the stringent standard of "unavoidable delay." In order to
10 meet that standard, Scott Johnson would have had to establish that he made an effort to inform
11 himself of the legal obligations associated with owning a patent. *See California Med. Prods. v.*
12 *Tecnol Med.*, 921 F. Supp. 1219 (D. Del. 1995) (noting that "if [the patent attorney] had ceased
13 representing [the patent holder] for some reason, the patent holder would have been obligated at that
14 time to either familiarize himself with the maintenance fee requirements or retain new counsel . . .").
15 He did not demonstrate that he made such an effort. In fact, like the patentee in *Ray*, he did not even
16 provide a current address to the PTO.

17 The facts in *In re Mattullath* are distinguishable from those in this case. There, the petitioner
18 was ignorant even that a patent application had been filed – a question of fact. In contrast, the
19 responsible party here was aware of the existence of the patent but did not make efforts to learn
20 about the *legal* requirements that ownership entailed. In addition, Mattullath documented her
21 attempts to learn whether her husband had left anything of value through inquiries to friends and
22 associates of her husband. The court found these efforts satisfied the requirement that she act as a
23 reasonably prudent person. Here, Femspec presented *no* evidence that Scott Johnson sought to
24 inform himself about the obligations associated with patent ownership. Under these circumstances,
25 the Court cannot find that the PTO acted contrary to law or abused its discretion in concluding that
26 the unavoidable delay standard was not met.

2. Legislative History

Femspec also points in support of its position to the legislative history associated with amendments to 35 U.S.C. § 41(c), arguing that Congress intended to loosen the “unavoidable delay” standard because its results were found to be too harsh. The Court does not agree.

Maintenance fees were first introduced into federal patent law in 1980, when 35 U.S.C. § 41 was adopted. *Laerdal Med. v. Ambu, Inc.*, 877 F. Supp. 255, 256 (D.Md. 1995). In 1982, Congress amended this provision to allow the Commissioner to accept payment after the six month grace period where the delay was “unavoidable.” *Id.* As noted above, this is the same standard that has been used for over a hundred years with respect to revival of patent applications considered abandoned. In the legislative record, the justification for the 1982 amendment was to “avoid an inequitable loss of patent rights.” *Id.* (citing H.R.Rep. No. 542 at 3, 1982 U.S.C.C.A.N. at 767).

In 1992, Congress amended 35 U.S.C. § 41 again, introducing a lower standard for reinstatement of patents within 24 months after expiration of the six-month grace period. Under the amended provision, a patent could be reinstated during this period where the failure to pay a maintenance fee was “unintentional.” Congress explained its actions as follows:

The “unavoidable” standard has proved to be too stringent in many cases. Many patentees have been deprived of their patent rights for failure to pay the maintenance fees for reasons that may have been unintentional yet not unavoidable.

Under the amendment in the nature of a substitute as adopted by the Committee, patent owners still will have the six month grace period to pay the maintenance fees without any adverse consequences. The new unintentional standard would be applicable for a twenty-four month period after the six month grace period. After the expiration of the six month grace period, the Commissioner of the Patent and Trademark Office can accept late payments for twenty-four additional months after the six month grace period if the delay in payment was either unintentional or unavoidable. After the expiration of the twenty-four months, the Commissioner can accept late payments of maintenance fees only if the delay was unavoidable.

Id. (quoting H.R.Rep. No. 993, 102nd Cong., 2d Sess., 2 (1992), *reprinted in* 1992 U.S.C.C.A.N. 1623, 1623-24).

The Court does not find that this legislative history reflects an intent on the part of Congress to relax the “unavoidable delay” standard with the 1992 amendment. Rather, Congress loosened the

1 requirements for reinstatement by introducing a new, lower standard (“unintentional delay”) *only* for
2 delays within a 24-month period following expiration of the grace period. Congress expressly
3 retained the “unavoidable delay” standard – even with its sometimes harsh results – for petitions
4 brought after the 24-month period.

5 3. Pennsylvania Law

6 Femspec argues that the PTO’s decision in this case elevates the standard for a reasonably
7 prudent person to an unreasonably high level because it requires an executor to take actions that are
8 inconsistent with his duties under state law as an executor. In particular, it points to the rule under
9 Pennsylvania law that “[a]n executor’s duty is to take custody of the estate and to administer it so as
10 to preserve and protect the property for distribution to the proper persons within a reasonable time.”
11 *Matter of Estate of Campbell*, 692 A.2d 1098, 1101-1102 (Pa. Super. 1997). According to attorney
12 Carroll, in light of the lack of liquidity of the estate and apparent lack of commercial opportunities,
13 Scott Johnson’s failure to retain a patent attorney to ascertain the value of the ‘852 patent was
14 consistent with this duty.

15 While the “unavoidable delay” standard is unquestionably a stringent one and may require an
16 executor to make difficult choices, the Court is not persuaded that under the facts of this case the
17 PTO’s decision is contrary to law or arbitrary and capricious. Under federal law, a patentee has a
18 duty to “familiarize himself” with the legal requirements associated with holding a patent. *California*
19 *Med. Prods. v. Tecnol Med.*, 921 F. Supp. 1219, 1259 (D. Del. 1995). Even assuming that it would
20 have been improper under Pennsylvania law for Scott Johnson to retain a patent attorney to
21 determine the value of the ‘852 patent, there are other steps short of retaining a patent attorney he
22 could have taken that might have alerted him to the need to pay the maintenance fee. The most basic
23 of these would have been to try to find the original grant. He might also have provided the PTO
24 with a current address. Or, he might have visited a local library or searched on-line to inform
25 himself of the legal requirements imposed on patentees. Yet there is no showing that Scott Johnson
26 took any of these steps. Accordingly, the Court concludes that the PTO’s action was not arbitrary,
27 capricious or contrary to law.
28

IV. CONCLUSION

For the reasons stated above, the Court GRANTS Defendant's Motion for summary judgment, DENIES Plaintiff's motion for summary judgement and affirms the decision of the PTO.

IT IS SO ORDERED.

DATE: January 26, 2007



JOSEPH C. SPERO
United States Magistrate Judge